

**Financial Statements and Reports of
Independent Certified Public Accountant
Delaware County Justice Authority
June 30, 2013**

**OBER & ASSOCIATES, INC., PC
Certified Public Accountants
124 South Main
Miami, Oklahoma 74354**

**Delaware County Justice Authority
Board of Trustees**

Doug Smith	Chairman
Danny Duncan	Member
Tom Sanders	Member
Barbara Barnes	Secretary
Susan Duncan	Treasurer

Delaware County Justice Authority
Table of Contents

Independent Auditor's Report	1-2
Reports Required by <i>Government Auditing Standards</i> :	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Basic Financial Statements:	
Statement of Net Position	5
Statement of Revenues, Expenses and Changes in Net Position	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-14
Schedule of Findings and Responses	15

OBER & ASSOCIATES INC., PC

CERTIFIED PUBLIC ACCOUNTANTS
124 South Main
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INDEPENDENT AUDITOR'S REPORT

To the Trustees of the Delaware County Justice Authority
Delaware County, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Delaware County Justice Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware County Justice Authority as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, the financial statements present only Delaware County Justice Authority and do not purport to, and do not, present fairly the financial position of Delaware County, Oklahoma, as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2014 on our consideration of Delaware County Justice Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Delaware County Justice Authority's internal control over financial reporting and compliance.

OBER & ASSOCIATES, INC., PC

OBER & ASSOCIATES, INC., PC
CERTIFIED PUBLIC ACCOUNTANTS
February 5, 2014

OBER & ASSOCIATES INC., PC

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124 South Main
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Trustees of the Delaware County Justice Authority
Delaware County, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Delaware County Justice Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Delaware County Justice Authority's basic financial statements and have issued our report thereon dated February 5, 2014. In our report we included an emphasis of matter stating that the financial statements present only Delaware County Justice Authority and do not present fairly the financial position of Delaware County, Oklahoma. We also stated in our report that management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Delaware County Justice Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Delaware County Justice Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Delaware County Justice Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charges with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delaware County Justice Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-1.

Delaware County Justice Authority's Responses to Findings

Delaware County Justice Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Delaware County Justice Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

OBER & ASSOCIATES, INC., PC

OBER & ASSOCIATES, INC, PC
CERTIFIED PUBLIC ACCOUNTANTS
February 5, 2014

Delaware County Justice Authority
Statement of Net Position
June 30, 2013

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 990,490.03
Accrued Interest Receivable	5.17
Due from Other Governments	617,500.04
Total Current Assets	<u>1,607,995.24</u>

Noncurrent Assets

Due from Other Governments	12,723,333.26
Total Assets	<u>14,331,328.50</u>

LIABILITIES

Current Liabilities

Accrued Interest Payable	166,890.83
Current Maturities of Revenue Bonds	605,000.00
Total Current Liabilities	<u>771,890.83</u>

Long Term Liabilities

Revenue Bonds Payable, less Current Maturities	13,240,000.00
Total Liabilities	<u>14,011,890.83</u>

NET POSITION

Restricted for:

Debt Service	319,437.67
Total Net Position	<u>\$ 319,437.67</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Delaware County Justice Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

Operating Revenues	
Sales Tax Revenue	\$ 727,522.02
Operating Expenses	
Trustee Fees	<u>3,500.00</u>
Net Income (Loss) from Operations	<u>724,022.02</u>
Non Operating Revenue (Expense)	
Interest Income	29.30
Interest Expense	<u>(502,059.33)</u>
Total Non Operating Revenue (Expense)	<u>(502,030.03)</u>
Net Income (Loss)	221,991.99
Net Position, Beginning of Year	<u>97,445.68</u>
Net Position, End of Year	<u><u>\$ 319,437.67</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Delaware County Justice Authority
Statement of Cash Flows
For the Year Ended June 30, 2013

Cash Inflows:	
Sales Tax revenues	\$ 1,231,692.66
Cash Outflows:	
Payments for Goods and Services	<u>(3,500.00)</u>
Net Cash Provided (Used) by Operating Activities	1,228,192.66
Cash Flows from Capital and Related Financing Activities	
Interest Payments on Bonds	(388,021.20)
Cash Flows from Investing Activities	
Interest Received from Investments	<u>25.37</u>
Net Cash Inflow (Outflow) from All Activities	840,196.83
Cash and Cash Equivalents at Beginning of Year	<u>150,293.20</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 990,490.03</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Delaware County Justice Authority
Notes to the Financial Statements
For the Year Ended June 30, 2013**

I. Summary of Significant Accounting Policies

The following notes to the financial statements are an integral part of Delaware County Justice Authority's financial statements.

The Delaware County Justice Authority (Authority) was established as a public trust under and pursuant to the laws of the State of Oklahoma (generally, but not exclusively, Sections 176-180.3, inclusive of Title 60, Oklahoma Statutes 2001 Supplement and the Oklahoma Trust Act) on behalf of the County of Delaware, Oklahoma naming the County as the beneficiary. A judgment was entered against the County in Case #09-CV-407-JHP/TLW before the United States District Court for the Northern District of Oklahoma on December 1, 2011 (the "Judgment"), of which the County owes \$13,500,000 plus interest at 2.50% through the final payment date. The County has requested that the Authority issue its Sales Tax Revenue Bonds, Series 2012A (the "Series 2012A Bonds") and its Sales Tax Revenues Revenue Bonds, Series 2013B (the "Series 2012B Bonds") (together, the "Bonds") in the principal amount of \$13,845,000 and loan the proceeds to the County for the purposes of satisfying the Judgment, and the Authority has agreed to such request.

A majority of the qualified voters of the County voting at an election held on April 3, 2012 approved the levying of an additional one half of one percent sales tax to provide revenues to be used to pay the principal and interest on the Bonds issued by the Authority the proceeds of which are used to pay and satisfy the balance due and owing on the Judgment and pay accrued interest.

The accounting policies of the Authority conform to generally accepted accounting principles applicable to governmental units. The Authority complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements. In addition, the Authority applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Authority has elected not to follow FASB pronouncements issued since that date.

A. Financial Reporting Entity

The Authority complies with GASB Statement No. 14, *"The Financial Reporting Entity."* This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Authority considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the Authority's financial statements.

The Authority is a component unit of Delaware County, Oklahoma and will be included in Delaware County's basic financial statements. The Authority has no component units.

**Delaware County Justice Authority
Notes to the Financial Statements
For the Year Ended June 30, 2013**

I. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net position. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Depreciation expense is provided for capital assets based upon estimated useful lives.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The District complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements.

In addition, the District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The District has elected not to follow FASB pronouncements issued since that date.

C. Assets, Liabilities, Net Assets and Revenues

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

2. Fair Value of Financial Instruments

The Authority's financial statements include cash and investments. The Authority's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

3. Restricted Assets

Restricted assets include investments of the proprietary fund that are legally restricted as to their use. Financial requirements of the bond indenture require that funds be held in a revenue fund, a bond fund, which is comprised of the principal account and interest account, bond proceeds account, and rebate account. Under the terms and provisions of the indenture, these funds are maintained with the Trustee bank and are not subject to lien or attachment by any other creditors. These funds are to be maintained so long as the bonds are outstanding.

4. Accrued Interest

Interest payments on the 2012 A & B Series Bonds are due semi-annually on March 1 and September 1 each year until maturity. Interest payable is accrued from March 1 through June 30 on all bonds.

**Delaware County Justice Authority
Notes to the Financial Statements
For the Year Ended June 30, 2013**

I. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, Net Assets and Revenues (continued)

5. Long-Term Obligations

Long-term debt is reported as a liability in the Authority's balance sheet. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as "other noncurrent assets" and amortized over the term of the related debt also using the straight-line method.

6. Equity Classifications

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt --- Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets --- Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets --- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

7. Revenues

Sales Tax Revenue Bond Series 2012A and B

Delaware County began levying an additional one half of one percent sales tax on April 2, 2012 to provide revenues to be used to pay the principal and interest on the Bonds issued by the Authority, the proceeds of which are used to pay and satisfy the balance due and owing on the Judgment and pay accrued interest.

A Revenue Fund has been created. All sales tax revenues shall be collected by the County and deposited, on behalf of the Authority, in the Sales Tax Fund maintained by BancFirst pursuant to a depository agreement between the Authority and BancFirst. Subsequently, the Authority shall transfer or shall cause BancFirst to transfer the Sales Tax Revenues to the Trustee for deposit in the Revenue Fund.

**Delaware County Justice Authority
Notes to the Financial Statements
For the Year Ended June 30, 2013**

I. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, Net Assets and Revenues (continued)

8. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

9. Concentrations

The Authority relies on the transfer of dedicated sales taxes from Delaware County to meet the principal and interest payments on the outstanding bonds payable. If the dedicated sales taxes were to be insufficient, then the Authority may be unable to make the required payments on the outstanding bonds payable.

10. Recent Accounting Pronouncements

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* (GASB 61). GASB 61 modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that were previously required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, GASB 61 clarifies the matter in which that determination should be made and the types of relationships that generally should be considered in making the determination.

GASB 61 amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantially the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit.

The Authority adopted GASB 61 on July 1, 2012, which did not have a significant impact on the Authority's financial statements.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). The objective of GASB 63 is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The pronouncement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and

**Delaware County Justice Authority
Notes to the Financial Statements
For the Year Ended June 30, 2013**

I. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, Net Assets and Revenues (continued)

10. Recent Accounting Pronouncements (continued)

their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The provisions of this statement were effective for financial statements for periods beginning after December 15, 2011. The Authority adopted GASB 63 effective July 1, 2012. The adoption of the statement required the Authority to adopt the term "net position" as required. In addition, as required by GASB 63, the Authority determined as of June 30, 2013, there were no items of deferred inflows or outflows of resources, as presently defined, to be reported.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of GASB 65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this statement were effective for financial statements for periods beginning after December 15, 2012.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Delaware County Justice Authority. The use of budgets and monitoring of equity status facilitate the Authority's compliance with legal requirements. The Authority did not prepare a budget for 2013.

III. Detailed Notes Concerning Funds

A. Deposits and Investments

State statutes govern the Authority's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The Authority invests entirely in U.S. Treasury Securities.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's cash deposits, including U.S. Treasury Securities, are maintained in financial institutions. As of June 30, 2013 none of Authority's deposits were exposed to custodial credit risk.

**Delaware County Justice Authority
Notes to the Financial Statements
For the Year Ended June 30, 2013**

III. Detailed Notes Concerning Funds (continued)

A. Deposits and Investments (continued)

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Repurchase agreements: The Authority is invested in Federated Treasury Obligations Fund. According to the Federated Treasury Obligations Fund holdings report, 47.5% of the investments are subject to repurchase agreements. The Authority's investments are collateralized by Treasury securities; however, current and future earnings are subject to risk.

B. Long-Term Debt

Sales Tax Revenue Bonds Series 2012A&B

On May 1, 2012, the Authority issued \$13,845,000 in sales tax revenue bonds with interest rates ranging between 2.00% and 4.00%. The bonds were issued to provide funds to pay and satisfy the balance due and owing on the Judgment, to fund capitalized interest and to pay the costs and expenses of and incidental to, the issuance and sale of the bonds.

Interest on the bonds is payable semi-annually on March 1st and September 1st at varying rates. Principal payments are due annually on September 1st.

Debt service requirements for the Series 2012A&B bonds are:

Year Ended June 30,	Rate	Principal	Interest	Total Requirements
2014	2.00%	\$ 605,000.00	\$ 494,622.50	\$ 1,099,622.50
2015	4.00%	620,000.00	482,372.50	1,102,372.50
2016	4.00%	630,000.00	463,572.50	1,093,572.50
2017	4.00%	660,000.00	437,772.50	1,097,772.50
2018	4.00%	685,000.00	410,872.50	1,095,872.50
2019-2023	Variable	3,870,000.00	1,616,907.50	5,486,907.50
2024-2028	Variable	4,650,000.00	847,500.00	5,497,500.00
2029-2030	Variable	2,125,000.00	80,531.25	2,205,531.25
		<u>\$ 13,845,000.00</u>	<u>\$ 4,834,151.25</u>	<u>\$ 18,679,151.25</u>

**Delaware County Justice Authority
Notes to the Financial Statements
For the Year Ended June 30, 2013**

III. Detailed Notes Concerning Funds (continued)

C. Changes in Long-Term Debt

Long-term debt consists of bonds payable. The following is a summary of the changes in long-term debt of the Authority for the fiscal year.

	Balance 6/30/2012	Proceeds	Payments	Balance 6/30/2013	Due Within One Year
Bonds Payable	\$ 13,845,000.00	\$ -	\$ -	\$ 13,845,000.00	\$ 605,000.00

IV. Other Information

A. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority carries commercial insurance for risks of loss. There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage.

B. Subsequent Events

Management has evaluated subsequent events through February 5, 2014, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

**Delaware County Justice Authority
Schedule of Findings and Responses
For the Year Ended June 30, 2013**

2013-1 Special Trust Funds and Transfers

Criteria or Specific Requirement – As stated in the Bond Indenture, Article IV, Section 4.02; On or before: (a) the 20th day of each month, commencing on September 20, 2012, the Trustee shall transfer from the Revenue Fund to the Bond Fund (Interest Account) an amount equal to 1/6th of the interest payable on the next ensuing Interest Payment Date; and (b) the 20th day of each month, commencing September 20, 2012, the Trustee shall transfer from the Revenue Fund to the Bond Fund (Principal Account) an amount equal to 1/12th of the principal payable on the next ensuing Principal Payment Date.

Condition – The Trustee of the Authority is not transferring the required amount of funds from the Revenue Fund to the Bond Fund (Principal and Interest Accounts) as required by Article IV, Section 4.02 of the Bond Indenture.

Effect – Failure to follow the covenants of the Bond Indenture could result in default of the bonds as stated in Article IX, Section 9.01 of the Bond Indenture.

Cause – The Trustee of the Authority is not following the covenants of the Bond Indenture.

Recommendation – Management should request that the Trustee of the Authority transfer from the Revenue Fund to the Bond Fund (Principal and Interest Accounts) the required amounts per Article IV, Section 4.02 of the Bond Indenture by the 20th of each month.

Response – Delaware County has been sending our monthly obligation funds to the trust bank. It is the responsibility of the trust bank to follow the terms of the trust indenture. Delaware County cannot compel the trust bank to follow the terms of the trust indenture.